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7 **UNITED STATES DISTRICT COURT**
8 **DISTRICT OF NEVADA**

9 JOSHUA LIEBLING, Derivatively on Behalf
of Nominal Defendant LOOP INDUSTRIES,
10 INC.,

11 Plaintiff,

12 Case No. _____

13 v.
14 DANIEL SOLOMITA, DONALD DANKS,
LOUISE SAMS, LAURENCE SELLYN,
JAY STUBINA, ANDREW LAPHAM,
JONGHYUK LEE, PETER KEZIOS,
SIDNEY HORN, SHAUN HIGGINS,
15 LESLIE MURPHY, and BRIAN YOUNG

16 Defendants,

17 and

18 LOOP INDUSTRIES, INC.,

19 Nominal Defendant.

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**VERIFIED SHAREHOLDER
DERIVATIVE COMPLAINT**

DEMAND FOR JURY TRIAL

VERIFIED SHAREHOLDER DERIVATIVE COMPLAINT

Plaintiff Joshua Liebling (“Plaintiff”), by and through his undersigned attorneys, brings this derivative complaint for the benefit of nominal defendant Loop Industries, Inc. (“Loop” or the “Company”), against current and former members of the Company’s Board of Directors (the “Board”) and certain of its executive officers seeking to remedy the Individual Defendants’ (defined below) breach of fiduciary duties and violations of federal law. Plaintiff alleges the following based upon personal knowledge as to himself and his own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through Plaintiff’s attorneys, which included, among other things, a review of Defendants’ publicly available documents, United States Securities and Exchange Commission (“SEC”) filings, press releases published by and regarding Loop, legal filings, news reports, securities analysts’ reports about the Company, the civil action *Securities and Exchange Commission v. Stephens et al.*, Case No. 3:22-cv-01483-KAW (S.D. Cal.), the criminal case *USA v. Stephens et al.*, Case No. 3:22-cr-02701 (S.D. Cal.), and other publicly available information.

NATURE OF THE ACTION

1. This is a shareholder derivative action brought by Plaintiff on behalf of Loop against certain of its officers and current and former members of the Company's Board for breaches of their fiduciary duties and violations of the federal securities laws between at least June 29, 2015 and November 22, 2022, inclusive (the "Relevant Period"), as set forth below.

2. Loop is a plastics recycling company headquartered in Terrebonne, Quebec, Canada and incorporated in Nevada. The Company went public via reverse merger with First American Group, Inc. (“First American”), a publicly traded shell corporation, on June 29, 2015 (“the Merger”).

3. Prior to the Relevant Period, First American was acquired by David Stephens (“Stephens”). Stephens then worked alongside Daniel Solomita (“Solomita”), President, Chief Executive Officer (“CEO”), and Chairman of the Board of Loop, Donald Danks (“Danks”), a former member of the Board of Loop, and Jonathan Destler (“Destler”), a close business associate of Danks, to effectuate the Merger between First American and Loop.

VERIFIED SHAREHOLDER DERIVATIVE COMPLAINT

1 4. As a result of the Merger, Stephens became the owner of all of the outstanding
2 unrestricted shares of Loop; however, this was withheld from investors and the public. Stephens,
3 working with Danks and Destler, concealed the extent of his ownership and control over the
4 Company through the use of offshore and domestic nominee accounts.

5. Between 2015 and 2017, Stephens covertly transferred stock to Danks and Destler.

6 6. Danks, Destler, and Stephens then perpetrated a fraudulent and illegal scheme
7 involving, *inter alia*, (i) concealing their ownership and control of Loop and its stock; (ii)
8 manipulating the market for Loop stock to artificially inflate its price with the help of Robert
9 Lazerus (“Lazerus”), a business associate of Danks and Destler; (iii) leaking material insider
10 information to certain investors; and (iv) offloading their shares of Loop stock, in public markets
11 and in private sales, to investors wholly unaware that they were purchasing shares from
12 individuals who owned and controlled the Company and its stock (the “pump-and-dump
13 scheme”).

14 7. Throughout the Relevant Period, Loop management advanced the pump-and-dump
15 scheme by causing the Company purposefully, recklessly, or negligently to conceal material facts
16 with respect to the ownership and control of Loop and its stock.

17 8. On September 30, 2022, the SEC filed a civil complaint in this District against
18 Danks, Destler, Stephens, and Lazerus alleging violations of antifraud provisions of the Securities
19 Act of 1933 (the “Securities Act”) and the Securities Exchange Act of 1934 (the “Exchange Act”)
20 (the “SEC Action”). Solomita was named as a relief defendant in the SEC Action.

21 9. As a result of the SEC Action, the price of Loop stock fell dramatically, closing at
22 \$3.89 on October 3, 2022, an almost 14% decline from the stock's opening price of \$4.51 on
23 September 30, 2022, just one trading day earlier.

24 10. On November 22, 2022, the United States filed a grand jury indictment in this
25 District against Danks, Destler, Stephens, and Lazerus for securities fraud and money laundering
26 in connection with the pump-and-dump scheme (the “Indictment”).

JURISDICTION AND VENUE

11. This Court has subject matter jurisdiction pursuant to 28 U.S.C. § 1331 and Section 27 of the Exchange Act over the claims asserted herein for violations of Section 10(b) of the Exchange Act (15 U.S.C. § 78j(b)) and Rule 10b-5 (17 C.F.R. § 240.10b-5) promulgated thereunder by the SEC.

12. This Court has supplemental jurisdiction over Plaintiff's state law claims pursuant to 28 U.S.C. § 1337(a).

13. This action is not a collusive action designed to confer jurisdiction on a court of the United States that it would not otherwise have.

14. In connection with the acts, conduct and other wrongs complained of herein, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, the United States mail, and the facilities of a national securities market.

15. Venue is proper in this District pursuant to Section 27(a) of the Exchange Act and
28 U.S.C. §§ 1391 because a substantial portion of the transactions and wrongs complained of
herein occurred in this District, Defendants have conducted business in this District, and
Defendants' actions have had an effect in this District. Furthermore, the SEC Action and the
Indictment were filed in this District.

PARTIES

Plaintiff

16. Plaintiff is, and has been at all relevant times, a shareholder of Loop.

Nominal Defendant

17. Nominal Defendant Loop is a plastics recycling company headquartered in Terrebonne, Quebec, Canada and incorporated in Nevada that purports to have developed an innovative proprietary technology that breaks down plastic in a more cost-effective way than its competitors. Since November 20, 2017, Loop stock has traded on the Nasdaq Global Market (“NASDAQ”) under the symbol LOOP. Prior to that, from November 2015 until November 19, 2017, Loop stock traded on OTC Link, operated by OTC Markets Group, Inc., under the symbol LLPP.

VERIFIED SHAREHOLDER DERIVATIVE COMPLAINT

1 ***The Individual Defendants***

2 18. Defendant Daniel Solomita (“Solomita”) has served as President, CEO, and
 3 Chairman of the Board of the Company since 2015. Defendant Solomita is also a founder of the
 4 Company. Having received proceeds from the illegal pump-and-dump scheme described herein,
 5 Solomita was named as a relief defendant in the SEC Action. According to the Company’s public
 6 filings, Defendant Solomita received \$5,699,500 during the fiscal year ending February 28, 2017
 7 in compensation from the Company.

8 19. Defendant Donald Danks (“Danks”) is a founder of the Company, and he served as
 9 a member of the Board between 2015 and 2018. Defendant Danks was named as a Defendant in
 10 the SEC Action which alleged that Danks and others participated in a scheme involving, *inter*
 11 *alia*, manipulating the market for Loop stock, concealing their ownership and control of Loop to
 12 evade legal and regulatory requirements and fraudulently sell Loop shares, and leaking material
 13 non-public information to certain investors. Defendant Danks was also criminally charged in the
 14 Indictment for his alleged involvement in the pump-and-dump scheme and additionally for
 15 laundering some of the proceeds of that scheme. Defendant Danks serves as a Managing Partner
 16 of Touchstone Advisors, Inc. (“Touchstone”) alongside Jonathan Destler. Defendant Danks and
 17 Destler additionally jointly own and/or control Opti-Harvest, Inc. (“Opti-Harvest”) and Vertical
 18 Leap Advisors LLC. (“Vertical Leap”). In 2017, while serving as director of Loop, Defendant
 19 Danks was granted power of attorney over a trading account held by Ventanas Capital, LLC
 20 (“Ventanas”). As detailed in the SEC Action, Danks utilized the Ventanas brokerage account to
 21 trade in Loop shares while concealing his affiliation with the Company. According to Loop’s
 22 public filings, Defendant Danks received \$150,000 during the fiscal year ending February 28,
 23 2018 in compensation from the Company.

24 20. Defendant Louise Sams (“Sams”) has served as a member of the Board of the
 25 Company since April 2021 and serves as Chair of the Nominating and Corporate Governance
 26 Committee and as a member of the Audit Committee and the Compensation Committee.
 27 According to the Company’s public filings, Defendant Sams received \$139,176 during the fiscal
 28 year ending February 28, 2022 in compensation from the Company.

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1 21. Defendant Laurence Sellyn (“Sellyn”) has served as a member of the Board of the
 2 Company since April 2018 and serves as Chair of the Audit Committee and as a member of the
 3 Compensation Committee. According to the Company’s public filings, Defendant Sellyn received
 4 \$206,250 during the fiscal year ending February 29, 2020 in compensation from the Company.

5 22. Defendant Jay Stubina (“Stubina”) has served as a member of the Board of the
 6 Company since 2016 and serves as a member of the Audit Committee and the Compensation
 7 Committee. According to the Company’s public filings, Defendant Stubina received \$150,000
 8 during the fiscal year ending February 28, 2018 in compensation from the Company.

9 23. Defendant Andrew Lapham (“Lapham”) has served as a member of the Board of
 10 the Company since June 2019 and serves as Chair of the Compensation Committee and as a
 11 member of the Nominating and Corporate Governance Committee. According to the Company’s
 12 public filings, Defendant Lapham received \$160,840 during the fiscal year ending February 29,
 13 2020 in compensation from the Company.

14 24. Defendant Jonghyuk Lee (“Lee”) has served as a member of the Board of the
 15 Company since July 2021.

16 25. Defendant Peter Kezios (“Kezios”) served as a member of the Board of the
 17 Company between 2020 and 2021. According to the Company’s public filings, Defendant Kezios
 18 received \$90,000 during the fiscal year ending February 28, 2021 in compensation from the
 19 Company.

20 26. Defendant Sidney Horn (“Horn”) served as a member of the Board of the Company
 21 between 2018 and 2020. According to the Company’s public filings, Defendant Horn received
 22 \$157,500 during the fiscal year ending February 29, 2020 in compensation from the Company.

23 27. Defendant Shaun Higgins (“Higgins”) served as a member of the Board of the
 24 Company between 2017 and 2019 and served as a member of the Audit Committee. According
 25 to the Company’s public filings, Defendant Higgins received \$150,000 during the fiscal year
 26 ending February 28, 2019 in compensation from the Company.

27 28. Defendant Leslie Murphy (“Murphy”) served as a member of the Board of the
 28 Company between 2017 and 2019 and served as Chair of the Audit Committee. According to the

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1 Company's public filings, Defendant Murphy received \$150,000 during the fiscal year ending
 2 February 28, 2019 in compensation from the Company.

3 29. Defendant Brian Young ("Young") served as a member of the Board of the
 4 Company between 2016 and 2018.

5 ***Relevant Non-Parties***

6 30. David Stephens, along with Destler and Defendant Danks, controlled substantially
 7 all of Loop's outstanding unrestricted shares throughout the Relevant Period. Stephens was
 8 named as a defendant in the SEC Action and was criminally charged in the Indictment for his
 9 alleged involvement in the fraudulent and illegal pump-and-dump scheme described herein.

10 31. Jonathan Destler, along with Stephens and Defendant Danks, controlled
 11 substantially all of Loop's outstanding unrestricted shares throughout the Relevant Period. Destler
 12 is a close business associate of Defendant Danks. Destler was named as a defendant in the SEC
 13 Action and was criminally charged in the Indictment for his alleged involvement in the fraudulent
 14 and illegal pump-and-dump scheme described herein.

15 32. Robert Lazerus worked for Destler and Defendant Danks, identifying and soliciting
 16 investors for their various joint ventures. Destler was named as a defendant in the SEC Action
 17 and was criminally charged in the Indictment for his alleged involvement in the fraudulent and
 18 illegal pump-and-dump scheme described herein. As alleged in the SEC Action and the
 19 Indictment, Lazerus, under the direction of Destler and Defendant Danks, manipulated the market
 20 for Loop stock by engaging in deceptive and illegal conduct including, *inter alia*, leaking material
 21 non-public information with respect to Loop to certain investors.

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VERIFIED SHAREHOLDER DERIVATIVE COMPLAINT

1 **FIDUCIARY DUTIES OF THE INDIVIDUAL DEFENDANTS**

2 33. By reason of their positions as officers and/or directors of Loop, and because of
 3 their ability to control the business and corporate affairs of Loop, the Individual Defendants owed
 4 Loop and its shareholders fiduciary obligations of trust, loyalty, good faith, and due care, and
 5 were and are required to use their utmost ability to control and manage Loop in a fair, just, honest,
 6 and equitable manner. The Individual Defendants were and are required to act in furtherance of
 7 the best interests of Loop and its shareholders so as to benefit all shareholders equally.

8 34. Each director and officer of the Company owes to Loop and its shareholders the
 9 fiduciary duty to exercise good faith and diligence in the administration of the Company and in
 10 the use and preservation of its property and assets and the highest obligation of fair dealing.

11 35. The Individual Defendants, because of their positions of control and authority as
 12 directors and/or officers of Loop, were able to and did, directly and/or indirectly, exercise control
 13 over the wrongful acts complained of herein.

14 36. To discharge their duties, the officers and directors of Loop were required to
 15 exercise reasonable and prudent supervision over the management, policies, controls, and
 16 operations of the Company.

17 37. Each Loop Defendant, by virtue of his or her position as a director and/or officer
 18 owed to the Company and to its shareholders the highest fiduciary duties of loyalty, good faith,
 19 and the exercise of due care and diligence in the management and administration of the affairs of
 20 the Company, as well as in the use and preservation of its property and assets. The conduct of
 21 the Individual Defendants complained of herein involves a knowing and culpable violation of
 22 their obligations as directors and/or officers of Loop, the absence of good faith on their part, or a
 23 reckless disregard for their duties to the Company and its shareholders that the Individual
 24 Defendants were aware or should have been aware posed a risk of serious injury to the Company.

25 38. As senior executive officers and directors of a publicly-traded company whose
 26 common stock was registered with the SEC pursuant to the Exchange Act and traded on the
 27 NASDAQ, the Individual Defendants had a duty to prevent and not to effect the dissemination of
 28 inaccurate and untruthful information with respect to the Company's financial condition,

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1 performance, growth, financial statements, products, management, ownership, internal controls,
2 earnings, and present and future business prospects, including the dissemination of false and/or
3 materially misleading information regarding the Company's business, prospects, and operations,
4 and had a duty to cause the Company to disclose in its regulatory filings with the SEC all those
5 facts described in this Complaint that it failed to disclose, so that the market price of the
6 Company's common stock would be based upon truthful, accurate, and fairly presented
7 information.

8 39. To discharge their duties, the officers and directors of Loop were required to
9 exercise reasonable and prudent supervision over the management, policies, practices, and
10 internal controls of the Company. By virtue of such duties, the officers and directors of Loop
11 were required to, among other things:

- 12 (a) ensure that the Company was operated in a diligent, honest, and prudent
13 manner in accordance with the laws and regulations of Nevada and the
14 United States, and pursuant to Loop's own Code of Business Conduct &
15 Ethics (the "Code of Conduct");
- 16 (b) conduct the affairs of the Company in an efficient, business-like manner
17 so as to make it possible to provide the highest quality performance of its
18 business, to avoid wasting the Company's assets, and to maximize the
19 value of the Company's stock;
- 20 (c) remain informed as to how Loop conducted its operations, and, upon
21 receipt of notice or information of imprudent or unsound conditions or
22 practices, to make reasonable inquiry in connection therewith, and to take
23 steps to correct such conditions or practices;
- 24 (d) establish and maintain systematic and accurate records and reports of the
25 business and internal affairs of Loop and procedures for the reporting of
26 the business and internal affairs to the Board and to periodically
27 investigate, or cause independent investigation to be made of, said reports
28 and records;

VERIFIED SHAREHOLDER DERIVATIVE COMPLAINT

- (e) maintain and implement an adequate and functioning system of internal legal, financial, and management controls, such that Loop's operations would comply with all applicable laws and Loop's financial statements and regulatory filings filed with the SEC and disseminated to the public and the Company's shareholders would be accurate;
 - (f) exercise reasonable control and supervision over the public statements made by the Company's officers and employees and any other reports or information that the Company was required by law to disseminate;
 - (g) refrain from unduly benefiting themselves and other Company insiders at the expense of the Company; and
 - (h) examine and evaluate any reports of examinations, audits, or other financial information concerning the financial affairs of the Company and to make full and accurate disclosure of all material facts concerning, *inter alia*, each of the subjects and duties set forth above.

40. Each of the Individual Defendants further owed to Loop and the shareholders the duty of loyalty requiring that each favor Loop's interest and that of its shareholders over their own while conducting the affairs of the Company and refrain from using their position, influence, or knowledge of the affairs of the Company to gain personal advantage.

41. At all times relevant hereto, the Individual Defendants were the agents of each other and of Loop and were at all times acting within the course and scope of such agency.

42. Because of their advisory, executive, managerial, and directorial positions with Loop, each of the Individual Defendants had access to adverse, non-public information about the Company.

43. The Individual Defendants, because of their positions of control and authority, were able to and did, directly or indirectly, exercise control over the wrongful acts complained of herein, as well as the contents of the various public statements issued by Loop.

LOOP'S CODE OF ETHICS

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1 44. Loop's Code of Ethics, effective January 25, 2017, expressly applies to "all
 2 directors, officers, employees of the Company, including the Company's principal executive
 3 officer and principal financial officer and other third party contractors (collectively, the 'Covered
 4 Persons')." Code of Ethics, 1, 8.

5 45. The Code of Ethics begins with a "commit[ment] to the highest level of ethical
 6 behavior," and it instructs the Company's "directors, officers and employees to perform with the
 7 highest level of integrity and principled business conduct." *Id.* at 1.

8 46. The purpose of the Code of Ethics is to:

9 [D]eter wrongdoing and to promote all of the following:

- 10 • honest and ethical conduct, including the ethical handling of actual or
 apparent conflicts of interest between personal and business relationships;
- 11 • full, fair, accurate, timely, and understandable disclosure in reports and
 documents that the Company files with, or submits to, the Securities and
 Exchange Commission (the "Commission"), and in other public
 communications made by the Company;
- 12 • compliance with applicable governmental laws, rules and regulations;
- 13 • the protection of the Company's assets, including corporate opportunities
 and confidential information;
- 14 • fair dealing practices;
- 15 • the prompt internal reporting to an appropriate person or persons identified
 herein for receiving notice of violations or potential violations of this Code;
 and
- 16 • accountability for adherence to this Code

17 *Id.*

18 47. In a section titled "**Honest and Ethical Conduct**" (emphasis in original), the Code
 19 of Ethics states, in relevant part:

20 The Company's policy is to promote high standards of integrity by conducting its
 21 affairs honestly and ethically. Each Covered Person must always conduct himself
 22 or herself in an honest and ethical manner. Each Covered Person must act with the
 23 highest standards of personal and professional integrity and must not tolerate others
 24 who attempt to deceive or evade responsibility for actions. Honest and ethical
 25 conduct must be a driving force in every decision made by a Covered Person while
 26 performing his or her duties for the Company.

27 *Id.* at 1-2.

28 48. In a section titled "**Conflicts of Interest**" (emphasis in original), the Code of Ethics

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1 states, in relevant part: “Covered Persons should not use their position or association with the
2 Company for their own or their family’s personal gain, and should avoid situations in which their
3 personal interests (or those of their family) conflict or overlap, or appear to conflict or overlap,
4 with the Company’s best interests.” *Id.* at 2.

5 49. In a section titled “**Compliance With Applicable Laws, Rules and Regulations**”
6 (emphasis in original), the Code of Ethics states:

7 Full compliance with the letter and the spirit of all applicable governmental laws,
8 rules, and regulations, and applicable rules and listing standards of any national
9 securities exchange on which the Company's securities may be listed, is one of the
foundations on which this Company's ethical policies are built. All directors and
executive officers of the Company must understand and take responsibility for the
Company's compliance with the applicable governmental laws, rules and
regulations of the cities, states and countries in which the Company operates, and
for complying with the applicable rules and listing standards of any national
securities exchange on which the Company's securities may be listed.

12 || *Id.* at 3.

13 50. In a section titled “**Rules to Promote Full, Fair, Accurate, Timely and**
14 **Understandable Disclosures**” (emphasis in original), the Code of Ethics states:

As a public company, the Company has a responsibility to report financial information to security holders so that they are provided with accurate information in all material respects about the Company's financial condition and results of operations. It is the policy of the Company to fully and fairly disclose the financial condition of the Company in compliance with applicable accounting principles, laws, rules and regulations. Further, it is the Company's policy to promote full, fair, accurate, timely, and understandable disclosure in all of the Company's reports required to be filed with or submitted to the Commission, as required by applicable laws, rules, and regulations then in effect, and in other public communications made by the Company.

25 | *Id.* at 3-4.

26 51. In a section titled “**Trading on Inside Information**” (emphasis in original), the
27 Code of Ethics states:

1 Inside information includes any non-public information, whether favorable or
 2 unfavorable, that investors generally consider important in making investment
 3 decisions. Examples include financial results not yet released, imminent regulatory
 4 approval/disapproval of an alliance, or other significant matter such as the purchase
 5 or sale of a business unit or significant assets, threatened litigation, or other
 significant facts about a business. No material inside information obtained as the
result of employment at, or a director's service on the Board of, the Company may
be used for personal profit or as the basis for a direct or indirect "tip" to others,
unless such information has previously been made generally available to the public,
and even in such circumstances, such information may be subject to other duties.

6 *Id.* at 5.

7 52. In a section titled "**Compliance with the Code; Discipline**" (emphasis in original),
 8 the Code of Ethics states, in relevant part:

9 Violation of this Code may result in serious consequences for the Company, its
 10 corporate reputation, and credibility, and the confidence level of its customers,
 11 suppliers and investors. Sanctions against the Company for criminal or civil
 wrongdoing could include substantial fines and restrictions on future operations.
 Individual employees could be required to pay significant fines or be sentenced to
 prison. Therefore, violations will be taken seriously.

12 Company-imposed disciplinary action will be coordinated with the employee's
 13 supervisor, the human resources department, and the Chairman of the Audit
 14 Committee. *The overall seriousness of the matter will be considered in*
determining disciplinary action to be taken: which might include consequences
up to and including dismissal. Individual cases may require an employee to
 15 reimburse the Company for losses or damages. The Company may even refer an
 16 employee for criminal prosecution, civil enforcement or a combination of the
above.¹

17 *Id.* at 6.

LOOP'S AUDIT COMMITTEE CHARTER

19 53. Pursuant to Loop's Audit Committee Charter, the purpose of the Audit Committee
 20 is to:

21 [A]ssist the Board in its oversight of:

22 1. The Company's accounting and financial reporting process and internal
 23 control over financial reporting, as well as the audit and integrity of the Company's
 financial statements.

24 2. The Company's compliance with legal and regulatory requirements
 (including U.S. federal securities law);

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 26
 27
 28 ¹ All emphasis in this Complaint is added unless indicated otherwise.

1 3. The qualifications, independence and performance of the Company's
 independent auditors; and

2 4. The implementation and performance of the Company's internal audit
 function.

3 Audit Committee Charter, at 1.

5 54. The Audit Committee Charter further provides that the Audit Committee will:
 6 Meet with management and the Company's independent auditor to review and discuss the
 7 Company's annual audited financial statements and quarterly financial statements. As part
 8 of this review process, the Committee shall review:

- 9 • the scope and timing of annual audit of the Company's financial statements,
- 10 • The Company's annual audited and quarterly unaudited financial statements
 and annual and quarterly reports on Form 10-K and Form 10-Q, including
 the disclosures in "Management's Discussion and Analysis of Financial
 Condition and Results of Operations", and recommend to the Board
 whether the audited financial statements and "Management's Discussion
 and Analysis of Financial Condition and Results of Operations" should be
 included in the Company's Form 10-K.
- 11 • The results of the independent audit and the quarterly reviews, and the
 independent auditor's opinion on the audited financial statements.
- 12 • the quality and adequacy of the Company's internal controls and discuss
 with management and the independent auditor any significant deficiencies
 or material weaknesses in the design or operation of the Company's internal
 controls;
- 13 • major issues regarding accounting principles and financial statement
 presentations, including any significant changes in the Company's selection
 or application of accounting principles, and major issues as to the adequacy
 of the Company's internal controls and any special audit steps adopted in
 light of material control deficiencies.

19 *Id.* at 3-4.

20 55. In a section titled "Internal Audit Function" (emphasis in original), the Audit
 21 Committee Charter states that the Audit Committee shall:

- 22 • review the responsibilities, functions, qualifications and performance of the
 Company's internal audit function, including internal audit's charter, plans,
 budget, objectivity and the scope and results of internal audits;
- 23 • approve the hiring, promotion, demotion or termination of the person in charge
 of the Company's internal or outsourced internal audit function; and
- 24 • review the results of the internal audit program, including significant issues in
 internal audit reports and responses by management.

26 *Id.* at 4.

27 56. The Audit Committee Charter further states that the Audit Committee shall:
 28 "review, approve and monitor related party transactions involving directors or executive officers

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1 and review and monitor conflicts of interest situations involving such individuals where
 2 appropriate.” *Id.* at 5.

3 57. In a section titled “Compliance with Laws” (emphasis in original), the Audit
 4 Committee Charter states:

5 On at least an annual basis, the Audit Committee shall review and discuss with
 6 management and the independent auditor (i) the overall adequacy and effectiveness
 7 of the Company’s legal, regulatory and ethical compliance programs and (ii) reports
 8 regarding compliance with applicable laws, regulations and internal compliance
 9 programs. The Audit Committee shall discuss with management and the
 10 independent auditor any correspondence with regulators or governmental agencies
 11 and any published reports that raise material issues regarding the Company’s
 12 financial statements or policies. The Audit Committee shall discuss with the
 13 Company’s chief financial officer or senior legal officer any legal matters that may
 14 have a material impact on the financial statements or the Company’s compliance
 15 procedures.

16 *Id.*

17 SUBSTANTIVE ALLEGATIONS

18 ***Background***

19 58. Individuals who exercise control over public companies (“control persons”) are
 20 subject to various legal and regulatory requirements, including registration requirements, sale
 21 restrictions, and disclosure requirements.

22 59. Prior to selling stock, control persons are required to: (i) register the stock sales
 23 with the SEC pursuant to Section 5 of the Securities Act [15 U.S.C. § 77e]; (ii) sell the stock
 24 pursuant to an exemption from registration; or (iii) sell the stock according to the conditions set
 25 forth in SEC Rule 144 [17 C.F.R. § 240.144], including volume limitations. Further, investors in
 26 certain public companies are required to disclose any ownership interest in excess of 5% of the
 27 company’s publicly traded stock.

28 60. An “affiliate” of an issuer is a person or entity that, directly or indirectly, controls,
 29 is controlled by, or is under common control with such issuer. Affiliates of a public company
 30 include officers, directors and controlling shareholders as well as any individual under common
 31 control with the company. A “control group,” as used herein, refers to a group that collectively is
 32 an “affiliate” of an issuer.

61. “Unrestricted” shares refer to shares that can be freely transferred or sold.

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1 Restricted stock includes stock that has been acquired from an issuer, or an affiliate of an issuer,
 2 in a private transaction not registered with the SEC. Further, stock held by an issuer or affiliate of
 3 an issuer is restricted. Absent an applicable exemption, an individual may not sell restricted stock
 4 to the public without filing a registration statement with the SEC. The Registration Statement
 5 must contain, *inter alia*, disclosure of any person, group, or entity who is the beneficial owner of
 6 more than 5% of the company's securities.

7 ***Stephens Acquires a Large Portion of Loop's Stock and Engages in Deceptive Conduct to
 8 Conceal His Ownership of the Company and Avoid Disclosure and Reporting Requirements***

9 62. First American Group Inc., a publicly traded shell company, was formed prior to
 10 the Relevant Period. Between 2012 and 2013, all of the unrestricted shares of First American were
 11 transferred into eleven separate offshore nominee entities. While each entity appeared distinct,
 12 they were all under common ownership and control.

13 63. In 2014, Stephens acquired the First American shell corporation and each of the
 14 eleven nominee entities.

15 64. As detailed in the SEC Action, on October 3, 2014, Destler introduced Stephens to
 16 Defendant Solomita via an email, copying Defendant Danks. On that same day, Touchstone
 17 Advisors, an entity controlled by Destler and Defendant Danks, entered into a consulting
 18 agreement with Loop.

19 65. Over the course of the following months, Stephens worked alongside Destler and
 20 Defendants Solomita and Danks to explore a possible merger between First American and Loop's
 21 predecessor, Loop Holdings.

22 66. In June 2015, Loop Holdings and First American completed a reverse merger,
 23 whereby the surviving public company changed its name to Loop Industries, Inc. At that time,
 24 Loop was a penny stock trading on OTC Link.

25 67. As a result of the Merger, all of the purportedly unrestricted shares of First
 26 American covertly held by Stephens became purportedly unrestricted shares of Loop, and they

1 constituted all of Loop's outstanding unrestricted shares.²

2 68. Entities holding five percent or more of a company's stock are required to report
 3 their beneficial ownership pursuant to the Exchange Act. Furthermore, stock ownership positions
 4 over five percent of a public company typically attract a higher level of scrutiny by brokerage
 5 firms.

6 69. As Stephens exercised control over each of the eleven nominee entities, he too
 7 controlled all of the roughly 6.5 million outstanding unrestricted shares of Loop, which had
 8 become a public company as a result of the Merger. However, as the shares appeared to be owned
 9 by several distinct entities, each holding less than five percent of the Company's stock, Stephens
 10 was able to avoid reporting his beneficial ownership under the relevant provisions of the
 11 Exchange Act and conceal from transfer agents, brokerage firms and the public that he was the
 12 beneficial owner of all of the outstanding shares of the purportedly unrestricted Loop stock.

13 70. At the time of the Merger, Defendant Solomita became CEO and President of Loop
 14 and Chairman of its Board of Directors, and Defendant Danks became a member of the
 15 Company's Board. As there were only a small number of directors on the Loop Board, the position
 16 was one of trust and confidence, and Defendants Solomita and Danks maintained a close working
 17 relationship.

18 71. Furthermore, Defendant Danks had a very close business relationship with Destler.
 19 Destler owns Touchstone Advisors with a relative, and Danks is a Managing Director of that
 20 company. Additionally, Danks and Destler maintain joint control over another limited liability
 21 company, Vertical Leap Advisors LLC ("Vertical Leap"). At the time of the Merger, Loop
 22 maintained the same corporate address as Touchstone Advisors, Vertical Leap, and other
 23 companies associated with Destler and Defendant Danks.

24 72. Thus, by the start of the Relevant Period, Stephens had covertly acquired all of the
 25 unrestricted shares of Loop stock, Defendant Danks had become a member of the Loop Board,

27
 28 ² These were not actually unrestricted shares, as Stephens, as a controlling shareholder of Loop, was an affiliate of Loop.

1 and Destler, a close business associate of Defendant Danks, had become a consultant to Loop.

2 73. In November 2015, shortly after the Merger, Stephens began transferring Loop
 3 stock to Destler and Defendant Danks through the nominee entities that Stephens controlled. As
 4 detailed in the SEC Action, the nature of these transfers—to multiple different entities and often
 5 with little to no compensation—suggested that Stephens, Destler, and Defendant Danks had been
 6 working together for the common purpose of concealing the ownership of large amounts of Loop
 7 stock.

8 74. As affiliates of Loop who exercised control over the Company, Stephens, Destler,
 9 and Defendant Danks were subject to various disclosure, registration, and reporting requirements
 10 pursuant to the Securities Act and the Exchange Act. Stephens, Destler, and Defendant Danks
 11 orchestrated a scheme to avoid these legal requirements along with the additional scrutiny that
 12 would come if market participants understood the extent of their ownership and control of the
 13 Company.

14 75. Stephens continued to covertly transfer Loop shares to entities controlled by Destler
 15 and Defendant Danks until at least October 2017.

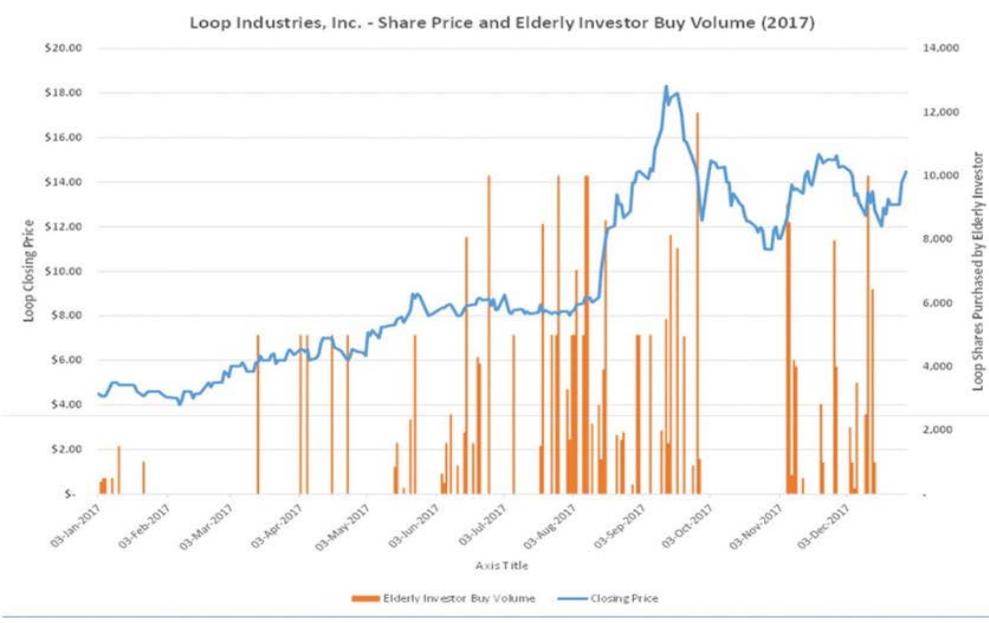
16 ***Defendant Danks Solicits Robert Lazerus to Manipulate the Market for Loop Stock, Allowing
 17 Stephens, Destler, and Defendant Danks to Dump Their Shares of Loop Stock at Artificially
 Inflated Prices***

18 76. Robert Lazerus was an associate of Destler and Defendant Danks, and he helped to
 19 solicit investors for their joint business ventures. Under the direction of Destler and Defendant
 20 Danks, Lazerus misleadingly promoted the stock, including by inducing an 86-year-old retiree
 21 (the “Elderly Investor”) to purchase more than \$7 million in Loop stock by the end of the Relevant
 22 Period—including by purchasing Loop stock “on margin,” *i.e.*, purchasing Loop stock with funds
 23 borrowed from his brokerage firm. From 2015 to 2019, Lazerus exploited a relationship of trust
 24 and confidence with the Elderly Investor, and Defendant Danks worked with Lazerus to time the
 25 Elderly Investor’s stock purchases strategically. For example, the Elderly Investor’s stock
 26 purchases served to artificially inflate the price of Loop stock and support the stock’s up-list from
 27 trading on the OTC Markets to trading on the NASDAQ exchange, a move that, itself, further
 28

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1 inflated the price of Loop stock.

2 77. As detailed in the SEC Action, from between March and December 2017 in
 3 particular, the Elderly Investor's purchases constituted more than 50% of the market volume for
 4 Loop stock and significantly impacted its price:



17
 18 78. Defendant Danks directed Lazerus to encourage the Elderly Investor to purchase
 19 stock on specific days. As detailed in the SEC Action, Defendant Danks sent a series of messages
 20 to Lazerus on November 1 and 2, 2017, when Loop stock was being evaluated for uplisting to the
 21 NASDAQ exchange:

Date	Message
11/1/2017	"Robert, Can u get [Elderly Investor] to buy 4-5k shares a day for next week or so? Thx. Call u around noon with some updates"
11/2/2017	"Any luck with [Elderly Investor] in the market...We need the stock to firm up at about \$13-\$14"
11/2/2017	"???We're negotiating with lender and need price up to set warrant prices. Let me know if [Elderly Investor] can help..."

1 79. Destler and Defendant Danks compensated Lazerus for the Elderly Investor's
 2 transactions either with cash or by transferring Loop stock to him.

3 80. In addition to having Lazerus persuade the Elderly Investor to purchase millions in
 4 Loop stock at opportune times, Destler and Defendant Danks assisted Lazerus in promoting Loop
 5 stock by passing material, non-public information about Loop to various "tippees," including an
 6 undercover FBI agent posing as an investor.

7 81. As detailed in the Indictment, Lazerus worked with Destler and Defendant Danks
 8 to raise money for Loop as far back as 2016. In a September 22, 2016 email, Defendant Danks
 9 stated to Defendant Solomita that "Coach and Robert Lazerus are just doing stock. They are both
 10 sending invoices."

11 82. Beginning in February 2020, Lazerus began regularly communicating with an
 12 undercover agent ("UCA"), providing the UCA with material non-public information concerning
 13 Loop in exchange for a portion of the profits that Lazerus believed the UCA would generate from
 14 trading based on that information.

15 83. For example, during a telephone call on May 6, 2020, Lazerus informed the UCA
 16 that Loop would be announcing news in six weeks. The following day, Lazerus advised the UCA
 17 to purchase shares of Loop in small amounts and offered to put the UCA in touch with his partner,
 18 Jonathan Destler.

19 84. On June 16, 2020, Lazerus met with the UCA in person and informed the UCA that
 20 Loop would announce a new contract in two months. At that meeting, Lazerus requested that the
 21 UCA compensate him with 10% of profits realized from trading on the information.

22 85. On June 18, 2020, during a WhatsApp telephone call, Lazerus informed the UCA
 23 that Loop would be signing a two-million-dollar contract with Coke in six weeks. During that
 24 call, Lazerus also told the UCA that he preferred to use WhatsApp for further communications.

25 86. On September 9, 2020, Lazerus sent the UCA a WhatsApp message, stating: "news
 26 tomorrow on LOOP." Loop stock closed at \$12.46 per share that day. The following day, Loop
 27 issued a press release titled "LOOP Industries and Suez Announce Strategic Partnership to Build
 28 First Infinite LOOP Facility Producing 100% Recycled and Infinitely Recyclable Plastic in

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1 Europe.” On September 10, 2020, Loop stock closed at \$12.98 per share, a 4% increase in one
 2 day.

3 87. On December 4, 2020, the UCA informed Lazerus that he had profited off of the
 4 Loop tip, and he paid Lazerus \$4,150 in cash, purportedly constituting 10% of UCA’s profit.

5 88. Throughout 2021, Lazerus continued to provide the UCA with material non-public
 6 information pertaining to Loop. On May 20, 2021, Lazerus met with the UCA in person and
 7 informed him that Loop would announce an agreement with SK Group around June 1, 2021.
 8 During that meeting, the UCA and Lazerus agreed to increase Lazerus’ compensation from 10%
 9 to 20% of the UCA’s profits. They also discussed establishing an offshore brokerage account to
 10 facilitate stock trading and the transfer of funds with limited government scrutiny.

11 89. On June 22, 2021, Loop’s stock closed at \$13.19 per share. On June 23, Loop issued
 12 a press release titled “SK Global Chemical to Acquire 10% Equity Stake in Loop Industries,
 13 Companies Announce Strategic Partnership to Bring Sustainable and Circular Plastics to Asian
 14 Market.” Loop stock closed at \$15.90 after the announcement on June 23, 2021, a 21% increase
 15 in price in just one day.

16 90. On December 9, 2021, Lazerus met with the UCA and informed the UCA of
 17 additional upcoming news pertaining to the Company. During that meeting, the UCA handed
 18 Lazerus an envelope containing \$5,000 in cash and indicated to Lazerus that it was a portion of
 19 the profits generated from the UCA’s recent sale of Loop stock.

20 91. As detailed in the Indictment, Lazerus provided material non-public information
 21 pertaining to Loop to at least three other individuals identified by the SEC throughout 2020 and
 22 2021 to promote the stock. The Indictment further alleges that Lazerus provided investors material
 23 non-public information pertaining to Opti-Harvest, Inc., another joint venture of Destler and
 24 Defendant Danks.

25 ***Stephens, Destler, and Defendant Danks Dump Loop Stock into the Public Market at
 26 Artificially Inflated Prices, Selling Stock to Investors Who Were Unaware of Their Ownership
 of a Significant Amount of Loop Stock***

27 92. In order to avoid legal and regulatory requirements, Stephens, Destler, and
 28 Defendant Danks worked together to conceal their ownership of Loop stock, transferring and

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1 selling stock between various entities that they controlled for little to no compensation. Thus,
 2 when they sold Loop stock in the public market, purchasers were unaware that they were
 3 acquiring shares from individuals that, collectively, controlled the Company.

4 93. In one instance of such deceptive conduct, Stephens directed an associate
 5 (“Associate A”) to sell his Loop shares into the United States public market using nominee entities
 6 controlled by Associate A. Between October 2017 and February 2018, Associate A sold Stephens’
 7 Loop shares through a Singaporean brokerage account for proceeds of \$1,684,000, wiring 95%
 8 of the proceeds to Stephens’ bank account and keeping the balance.

9 94. In another instance, Stephens acquired Loop shares from four of the eleven nominee
 10 companies, for no apparent consideration, and then transferred the stock into a nominee entity
 11 controlled by Associate A. Between June and August 2017, Associate A proceeded to sell that
 12 stock in the United States public market through a Hong Kong brokerage account, generating \$1.1
 13 million and wiring 96% of the proceeds to Stephens’ personal bank account.

14 95. In another instance of deceptive and misleading conduct, in the fall of 2017,
 15 Stephens transferred 122,650 shares of Loop stock from three of the nominee entities he
 16 controlled to Touchstone Advisors, an entity controlled by Destler and Defendant Danks. A few
 17 days later, Touchstone Advisors, brokered by Lazerus, sold all of those shares to the Elderly
 18 Investor for \$1,410,475. Touchstone Advisors then wired \$1,318,487 to Stephens, retaining
 19 \$91,988 in commission. A third of that commission was then placed into to a trust benefitting the
 20 Danks family, and another third was paid to Lazerus, leaving the remainder in the Touchstone
 21 Advisors bank account. This allowed Stephens, Destler, and Defendant Danks to sell Loop stock
 22 to the Elderly Investor without him knowing that he was purchasing stock from individuals who
 23 collectively owned and controlled the company.

24 96. Ventanas Capital LLC was another entity used to conceal the ownership of Loop
 25 stock. The nominal owner of Ventanas (“Associate B”) maintained a long-time friendship and
 26 close relationship with Defendant Danks, and Danks exercised control over the Ventanas
 27 brokerage account both directly and indirectly, through his relationship with Associate B.
 28 Beginning in October 2015 and throughout 2016, Ventanas received Loop shares from

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1 Touchstone Advisors, Vertical Leap and a trust benefitting the Danks family. These transfers
 2 provided Defendant Danks with another vehicle to sell his securities while concealing his
 3 effective ownership and control of them. For each transfer, Ventanas either paid significantly less
 4 than the market value of Loop stock or paid no consideration at all.

5 97. Furthermore, in 2017, while serving as director of Loop, Defendant Danks was
 6 granted power of attorney over a trading account held by Ventanas. Despite Danks' role as a
 7 director of Loop at that time, the Power of Attorney form on file with Charles Schwab, granting
 8 Defendant Danks trading authority over the Ventanas brokerage account, indicated that Danks
 9 was not a "director, 10% shareholder or policy making officer of a publicly held company."
 10 Accordingly, Danks was able to utilize the Ventanas brokerage account to trade in Loop shares
 11 while concealing his affiliation with the Company.

12 ***Stephens, Lazerus, Destler, and Defendants Danks and Solomita Profited From the Fraudulent
 Scheme***

14 98. Defendant Danks, working with Destler and Lazarus, successfully manipulated the
 15 market for Loop stock. Stephens, Destler, Lazerus, and Defendant Danks were then able to reap
 16 millions of dollars in profits by fraudulently offloading their shares at artificially inflated prices
 17 to investors who were wholly unaware that they were purchasing stock from individuals who
 18 controlled the Company.

19 99. Further, as alleged in the Indictment, Defendant Danks laundered proceeds from
 20 the fraudulent scheme, using more than \$500,000 in funds obtained through a margin loan on his
 21 Loop shares to finance the purchase of a home in Southern California.

22 100. Additionally, Defendant Solomita profited from the pump-and-dump scheme
 23 through a series of transfers involving Ventanas. In October 2015, Ventanas began to acquire
 24 Loop shares from both the Stephens-controlled nominee entities and from Vertical Leap, an entity
 25 owned by Destler and Defendant Danks. On or around October 20, 2015, after Stephens
 26 transferred the Loop shares to Ventanas, Defendant Danks helped to facilitate the sale of 400,000
 27 of Ventanas' shares to a Quebec Company, Company A. Company A then paid Ventanas
 28 \$439,490 for the shares on October 20, 2015. Two days later, Ventanas wired \$413,875 (95% of

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1 the proceeds) to 8198381 Canada, Inc., Defendant's Solomita's Company. While
 2 communications between Defendants Danks and Solomita characterized that payment as a "loan,"
 3 there is no evidence that the purported loan was ever memorialized in writing or repaid.

4 ***The Truth Emerges***

5 101. On September 30, 2022, the SEC filed a complaint against Defendant Danks,
 6 Stephens, Destler, and Lazerus, alleging violations of antifraud provisions of the Exchange Act.
 7 As a result of the SEC Action, the price of Loop stock fell dramatically, closing at \$3.89 on
 8 October 3, 2022, an almost 14% decline from the stock's opening price of \$4.51 on September
 9 30, 2022, just one trading day earlier. The price of the Company's stock has never recovered,
 10 closing at \$3.06 per share on August 4, 2023.

11 102. On November 22, 2022, the United States filed a grand jury indictment in
 12 connection with the pump-and-dump scheme, alleging that Defendant Danks conspired to commit
 13 securities fraud and committed securities fraud along with Lazerus, Stephens, and Destler, and
 14 that Danks laundered a portion of the proceeds, acquiring a more than \$500,000 margin loan from
 15 his Loop shares to finance the purchase of a home in Southern California. The Indictment further
 16 alleged that in his efforts to solicit investor interest in Loop and drive up the price of its stock,
 17 Lazerus provided material non-public information with respect to the Company to various
 18 "tippees," including an undercover FBI agent posing as an investor, in exchange for commission.

19 ***False and Misleading Statements***

20 103. Throughout the Relevant Period, the Individual Defendants advanced the deceptive
 21 and fraudulent pump-and-dump scheme by issuing false and misleading statements regarding the
 22 ownership and control of Loop stock.

23 104. On June 15, 2016, Loop filed an annual report on Form 10-K with the SEC (the
 24 "2016 10-K"), signed by Defendants Solomita and Danks. With respect to ownership and control
 25 of Loop stock, the 2016 10-K stated:

26 The following table lists, as of February 29, 2016, the number of shares of common
 27 stock of our Company that are beneficially owned by (i) each person or entity
 28 known to our Company to be the beneficial owner of more than 5% of the
 outstanding common stock; (ii) each officer and director of our Company; and (iii)
 all officers and directors as a group.

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Title of Class	Name and Address of Beneficial Owner (5)	Amount and Nature of Beneficial Ownership (4)	Percent of Common Stock (1)
Common Stock	Daniel Solomita (2)	17,000,000	56.8%
Common Stock	Donald Danks (3)	1,000,000	3.3%
All directors and executive officers as a group (2 persons)		18,000,000	60.1%

105. With respect to Loop stock held by non-affiliates of the Company, the 2016 10-K
stated:

At August 31, 2015, the last business day of the Registrant's most recently completed second fiscal quarter, the aggregate market value of the voting common stock held by non-affiliates of the Registrant (without admitting that any person whose shares are not included in such calculation is an affiliate) was approximately \$12,519,448. At June 7, 2016, there were 30,768,135 shares of the Registrant's common stock, par value \$0.0001 per share, outstanding.

106. With respect to the Company's "[e]xecutive officers, directors, and greater-than-ten percent stockholders," the 2016 10-K stated:

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors, and persons who own more than ten percent of a registered class of our equity securities, file reports of ownership and changes in ownership with the SEC. Executive officers, directors and greater-than-ten percent stockholders are required by SEC regulations to furnish us with all Section 16(a) forms they file. Based on our review of filings made on the SEC website, and the fact of us not receiving certain forms or written representations from certain reporting persons that they have complied with the relevant filing requirements, we believe that, *during the year ended February 29, 2016, one of our two executive officers, directors and greater-than-ten percent stockholders complied with all Section 16(a) filing requirements, that person being Daniel Solomita.*

107. The statements on the 2016 10-K were materially false and misleading and omitted to state material adverse facts necessary to make the statements not misleading because they failed to disclose that: (i) by the time the statements were made, Stephens was a greater-than-ten percent stockholder subject to the Exchange Act disclosure requirements; (ii) Stephens had in fact acquired all or virtually all of the outstanding unrestricted stock of the Company; and accordingly (iii) all or virtually all of the Company's outstanding unrestricted stock was held by a controlling shareholder and affiliate of Loop.

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1 108. On May 30, 2017, Loop filed an annual report on Form 10-K with the SEC (the
 2 “2017 10-K”), signed by Defendants Solomita, Danks, Young, and Stubina. The 2017 10-K
 3 disclosed the beneficial owners of more than 5% of Loop’s common stock:

4 The following table sets forth certain information as of May 11, 2017 with respect
 5 to the holdings of: (1) each person known to us to be the beneficial owner of more
 6 than 5% of our common stock; (2) each Named Executive Officer, (2) each current
 7 director; and (3) all directors and executive officers as a group.

Name and Address of Beneficial Owner	Shares of Common Stock	Percent of Common Stock	Shares of Preferred Stock	Percent of Preferred Stock	Voting Shares	Percent of Voting Shares
Daniel Solomita (1)	18,600,000	57.06%	1	100%	60,533,893	81.22%
Donald Danks (2)	1,404,000	4.31%	-	-	1,404,000	1.88%
Brian Young (3)	206,660	*	-	-	206,660	*
Jay Stubina (4)	75,000	*	-	-	75,000	*
Cesar Contla (5)	12,500	*	-	-	12,500	*
All Directors and Executive Officers as a Group (6 persons) (6)	20,348,100	62.31%	1	100%	62,281,993	83.50%

14 109. This disclosure was materially false and misleading and omitted to state material
 15 adverse facts necessary to make the statements not misleading because, by the time the statement
 16 was made, Stephens had begun transferring stock to Destler and Defendant Danks as part of the
 17 pump-and-dump scheme. Accordingly, at the time this statement was made, the control group
 18 consisting of Stephens, Destler, and Defendant Danks beneficially owned and controlled most if
 19 not all of the Company’s outstanding unrestricted stock.

21 110. The 2017 10-K similarly failed to disclose the control group in its report on the
 22 disclosure requirements of Section 16(A) of the Exchange Act:

23 Section 16(a) of the Exchange Act, requires that our directors and executive officers
 24 and persons who beneficially own more than 10% of our common stock (referred
 25 to herein as the “Reporting Persons”) file with the SEC various reports as to their
 26 ownership of and activities relating to our common stock. Based solely upon our
 27 review of certain reports files with the SEC with respect to Section 16(a) of the
 28 Exchange Act, the reports that were required to be filed with respect to transactions
 in our common stock during the fiscal year ended February 27, 2017 were timely
 except each of D. Jennifer Rhee, Jay Stubina, Brian Young and Donald Danks
 failed to timely file an initial Form 3 and Daniel Solomita failed to timely file Form
 4s reflecting share issuances in 2016. Ms. Rhee filed a Form 3 on April 20, 2017.

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1 111. The 2017 10-K further obscured the ownership and control of Loop stock by
 2 repeatedly referring to Defendant Solomita as the “President and Chief Executive Officer,
 3 Chairman of the BOD, and **majority stockholder.**”

4 112. On November 20, 2017, the Individual Defendants issued a press release
 5 announcing that Loop’s stock had been uplisted and would begin trading on the NASDAQ. That
 6 press release quoted Defendant Solomita as stating:

7 The listing of our shares on The NASDAQ Global Market represents a very exciting
 8 and important milestone for Loop as we move forward with our planned expansion
 9 and path to commercialization for our revolutionary technology . . . We believe
 10 listing on NASDAQ will open new doors for our Company with heightened
 exposure, better access to Wall Street and stronger liquidity. We look forward to
 sharing our investment story with a global audience as we continue our
 groundbreaking work in accelerating the world’s shift toward sustainable plastic.

11 113. This statement was materially false and misleading and omitted to state material
 12 adverse facts necessary to make the statements not misleading because it failed to disclose that
 13 Loop stock had actually been uplisted as a result of market manipulation. Specifically, Defendant
 14 Danks had been directing Lazerus to solicit timely acquisitions of Loop stock to ensure growth in
 15 the price of the Company’s stock during its evaluation for uplisting onto the NASDAQ.

16 114. On May 18, 2018, the Individual Defendants issued a Proxy Statement (the “2018
 17 Proxy”). The 2018 Proxy stated:

18 The following table sets forth certain information with respect to the beneficial
 19 ownership of our Common Stock and Series A Preferred Stock as at May 4, 2018,
 20 as to (1) each person (or group of affiliated persons) who is known by us to own
 21 beneficially more than 5% of our Common Stock; (2) each of our directors and
 nominees; (3) each Named Executive Officer; and (4) all of our directors and
 executive officers as a group.

Name and Address of Beneficial Owner	Shares of Common Stock	Percent of Common Stock	Shares of Series A Preferred Stock	Percent of Preferred Stock	Combined Voting Shares	Combined Voting Power
Daniel Solomita ⁽¹⁾	19,600,000	56.37%	1	100%	63,715,545	80.77%
Frank Zitella	—	—	—	—	—	—
Antonella Penta	150,000	*	—	—	150,000	*
Donald Danks ⁽²⁾	1,413,560	4.18%	—	—	1,413,560	1.81%
Jay Stubina ⁽³⁾	84,560	*	—	—	84,560	*
Laurence Sellyn	1,695	*	—	—	1,695	*
Leslie Murphy ⁽⁴⁾	8,774	*	—	—	8,774	*
Shaun Higgins ⁽⁴⁾	6,208	*	—	—	6,208	*
Cesar Contla ⁽⁵⁾	12,500	*	—	—	12,500	*
D. Jennifer Rhee	—	—	—	—	—	—
All Directors and Executive Officers as a Group (10 persons)	21,277,297	60.56%	1	100%	65,392,842	82.58%

1 115. The above table was incorporated by reference into the Company’s Form 10-K,
2 filed with the SEC on May 14, 2018 and signed by Defendants Solomita, Danks, Higgins,
3 Murphy, Sellyn, and Stubina (the “2018 10-K”). This disclosure was materially false and
4 misleading and omitted to state material adverse facts because it failed to disclose that, by the
5 time the statement was made, the control group consisting of Stephens, Destler, and Defendant
6 Danks beneficially owned and controlled most if not all of the Company’s outstanding
7 unrestricted stock.

8 116. The 2018 10-K further stated that “[t]o date, the Company has been successful in
9 raising capital to finance its ongoing operations at successively higher valuations, reflecting
10 investors’ belief in the potential for commercializing the Company’s branded resin and the
11 progress made to date in implementing its business plans.” This statement was materially false
12 and highly misleading because the Company’s ability to raise capital was largely due to market
13 manipulation and was not a reflection of investors’ belief in Loop’s potential.

14 117. The 2018 10-K contained the following risk disclosures regarding the Company's
15 stock price:

Trading volume in our stock can fluctuate and an active trading market for our common stock may not be available on a consistent basis to provide stockholders with adequate liquidity. Our stock price may be volatile and our stockholders could incur significant investment losses.

The trading price for our common stock will be affected by a number of factors, including:

- Any change in the status of our Nasdaq listing;
 - The need for near-term financing to continue operations;
 - Reported progress in our efforts to develop and commercialize our technology, relative to investor expectations;
 - General market conditions and other factors unrelated to our operating performance or the operating performance of our competitors;
 - Future issuances and/or sales of our securities;
 - Announcements or the absence of announcements by us, or our competitors, regarding collaborations, new products, significant contracts, commercial relationships or capital commitments;
 - Commencement of, or involvement in, litigation;

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- Any major change in our board of directors or management;
 - Changes in governmental regulations or in the status of our regulatory approvals;
 - Announcements related to patents issued to us or our competitors and to litigation involving our intellectual property;
 - A lack of, or limited, or negative industry or security analyst coverage;
 - Uncertainty regarding our ability to secure additional cash resources with which to operate our business;
 - Short-selling or similar activities by third parties; and
 - Other factors described elsewhere in these Risk Factors.

* * *

In addition, sales of significant amounts of shares held by Mr. Solomita, or the prospect of these sales, could adversely affect the market price of our common stock. Management's stock ownership may discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, which in turn could reduce our stock price or prevent our stockholders from realizing a premium over our stock price.

(Emphasis in original).

118. The risk disclosures were materially false and misleading and omitted to state material adverse facts because they failed to disclose that: (i) the Company's stock price was being supported by market manipulation and was thus highly inflated, and (ii) the control group consisting of Stephens, Destler, and Defendant Danks beneficially owned and controlled most if not all of the Company's outstanding unrestricted stock.

119. On May 10, 2019, the Individual Defendants issued a Proxy Statement (the “2019 Proxy”). The 2019 Proxy stated:

The following table sets forth certain information with respect to the beneficial ownership of our Common Stock and Series A Preferred Stock as at May 2, 2019, as to (1) each person (or group of affiliated persons) who is known by us to own beneficially more than 5% of our Common Stock; (2) each of our directors and nominees; (3) each Named Executive Officer; and (4) all of our directors and executive officers as a group.

Name and Address of Beneficial Owner	Shares of Common Stock (1)	Percent of Common Stock	Shares of Series A Preferred Stock	Percent of Preferred Stock	Combined Voting Shares	Combined Voting Power
Daniel Solomita ⁽²⁾	19,600,000	54.63%	1	100%	65,767,917	80.16%
Nelson Gentiletti	-	*	-	-	-	*
Nelson Switzer	7,043	*	-	-	7,043	*
Jay Stubina ⁽³⁾	97,902	*	-	-	97,902	*
Laurence Sellyn ⁽⁴⁾	20,037	*	-	-	20,037	*
Leslie Murphy ⁽⁵⁾	22,116	*	-	-	22,116	*
Shaun Higgins ⁽⁶⁾	19,550	*	-	-	19,550	*
Sidney Horn ⁽⁷⁾	10,205	*	-	-	10,205	*
Antonella Penta	-	*	-	-	-	*
Frank Zitella	-	*	-	-	-	*
All Directors and Executive Officers as a Group (10 persons)	19,776,853	55.14%	1	100%	65,944,770	80.38%

120. The above table was incorporated by reference into the Company's Form 10-K, filed with the SEC on May 8, 2019 and signed by Defendants Solomita, Horn, Higgins, Murphy, Sellyn, and Stubina (the "2019 10-K"). This disclosure was materially false and misleading and omitted to state material adverse facts because, by the time the statement was made, the control group consisting of Stephens, Destler, and Defendant Danks beneficially owned and controlled most if not all of the Company's outstanding unrestricted stock.

121. The 2019 10-K repeated the statements contained in the 2018 10-K, attributing the Company's ability to raise capital to its business prospects and execution:

122 Loop is a development stage company with no revenues, and our ongoing operations are being financed by raising new equity and debt capital. *To date, we have been successful in raising capital to finance our ongoing operations, reflecting the potential for commercializing our branded resin and the progress made to date in implementing our business plans.*

123 122. On May 4, 2020, the Individual Defendants issued a Proxy Statement (the "2020 Proxy"). The 2020 Proxy stated:

124 125 The following table sets forth certain information with respect to the beneficial ownership of our Common Stock and Series A Preferred Stock as at May 1, 2020, as to (1) each person (or group of affiliated persons) who is known by us to own beneficially more than 5% of our Common Stock; (2) each of our directors and nominees; (3) each Named Executive Officer; and (4) all of our directors and executive officers as a group.

	Name and Address of Beneficial Owner	Shares of Common Stock ⁽¹⁾ (#)	Percent of Common Stock (%)	Shares of Series A Preferred Stock (#)	Percent of Preferred Stock (%)	Combined Voting Shares (#)	Combined Voting Power (%)
3	Daniel Solomita ⁽²⁾	18,800,000	47.10	1	100	74,131,395	77.83
4	Nelson Gentiletti	7,083	*	-	-	7,083	*
5	Michel Megelas	-	-	-	-	-	-
6	Jay Stubina ⁽³⁾	116,207	*	-	-	116,207	*
7	Laurence Sellyn ⁽⁴⁾	43,342	*	-	-	43,342	*
8	Andrew Lapham ⁽⁵⁾	18,033	*	-	-	18,033	*
9	Sidney Horn ⁽⁶⁾	23,510	*	-	-	23,510	*
10	Nelson Switzer ⁽⁷⁾	7,043	-	-	-	7,043	*
11	All Directors and Executive Officers as a Group (8 persons)	19,015,218	47.64	1	100	74,346,613	78.06

123. The above table was incorporated by reference into the Company's Form 10-K, filed with the SEC on May 5, 2020 and signed by Defendants Solomita, Horn, Stubina, Lapham, and Sellyn (the "2020 10-K"). This disclosure was materially false and misleading and omitted to state material adverse facts because it failed to disclose that, by the time the statement was made, the control group consisting of Stephens, Destler, and Defendant Danks beneficially owned and controlled most if not all of the Company's outstanding unrestricted stock.

124. On May 28, 2021, the Individual Defendants issued a Proxy Statement (the "2021 Proxy"). The 2021 Proxy stated:

17 The following table sets forth certain information with respect to the beneficial ownership of our Common Stock and Series A Preferred Stock as at May 4, 2021 as to (1) each person (or group of affiliated persons) who is known by us to own beneficially more than 5% of our Common Stock; (2) each of our directors and nominees; (3) each Named Executive Officer; and (4) all of our directors and executive officers as a group.

22 Subject to the paragraph above, percentage ownership of outstanding shares is based on 42,433,320 shares of Common Stock outstanding and one share of Series A Preferred Stock outstanding as of May 4, 2021.

Name and Address of Beneficial Owner	Shares of Common Stock ⁽¹⁾ (#)	Percent of Common Stock (%)	Shares of Series A Preferred Stock (#)	Percent of Preferred Stock (%)	Combined Voting Shares (#)	Combined Voting Power (%)
Daniel Solomita ⁽²⁾	19,910,000	44.80	1	100	78,804,737	77.09
Nelson Gentiletti	27,664	*	—	—	27,664	*
Drew Hickey ⁽³⁾	—	—	—	—	—	—
Michel Megelas	—	—	—	—	—	—
Stephen Champagne	—	—	—	—	—	—
Yves Perron	—	—	—	—	—	—
Jay Stubina ⁽⁴⁾	135,869	*	—	—	135,869	*
Laurence Sellyn ⁽⁵⁾	68,004	*	—	—	68,004	*
Andrew Lapham ⁽⁶⁾	8,174,829	17.56	—	—	8,174,829	7.69
Peter Kezios ⁽⁷⁾	9,662	*	—	—	9,662	*
Louise Sams ⁽⁸⁾	—	—	—	—	—	—
All Directors and Executive Officers as a Group (10 persons)	27,449,538	62.98	1	100	87,244,275	85.03

125. The above table was incorporated by reference into the Company's Form 10-K, filed with the SEC on June 1, 2021 and signed by Defendants Solomita, Kezios, Stubina, Lapham, Sellyn, and Sams (the "2021 10-K"). This disclosure was materially false and misleading and omitted to state material adverse facts because, by the time the statement was made, the control group consisting of Stephens, Destler, and Defendant Danks beneficially owned and controlled most if not all of the Company's outstanding unrestricted stock.

126. On May 27, 2022, the Individual Defendants issued a Proxy Statement (the "2022 Proxy"). The 2022 Proxy stated:

The following table sets forth certain information with respect to the beneficial ownership of our Common Stock and Series A Preferred Stock as at May 4, 2022 as to (1) each person (or group of affiliated persons) who is known by us to own beneficially more than 5% of our Common Stock; (2) each of our directors and nominees; (3) each Named Executive Officer; and (4) all of our directors and executive officers as a group.

Name and Address of Beneficial Owner	Shares of Common Stock ⁽¹⁾ (#)	Percent of Common Stock (%)	Series A Preferred Stock (#)	Percent of Preferred Stock (%)	Combined Voting Shares (#)	Combined Voting Power (%)
Directors and Executive Officers⁽²⁾						
Daniel Solomita ⁽³⁾	19,210,000	37.2	1	100	88,029,888	73.1
Drew Hickey	—	—	—	—	—	—
Stephen Champagne	5,800	*	—	—	5,800	*
Yves Perron	—	—	—	—	—	—
Andrew Lapham ⁽⁴⁾	8,183,125	15.8	—	—	8,183,125	6.8
Jonghyuk Lee	—	—	—	—	—	—
Louise Sams ⁽⁵⁾	10,665	*	—	—	10,665	*
Laurence Sellyn ⁽⁶⁾	81,300	*	—	—	81,300	*
Jay Stubina ⁽⁷⁾	144,165	*	—	—	144,165	*
All Directors and Executive Officers as a Group (9 persons)	27,635,055	53.5	1	100	96,454,943	80.0

Greater than 5% Stockholders

SK geo centric Co., Ltd⁽⁸⁾
26, Jong-ro,
Jongno-gu
Seoul, Korea
03118

10 127. The above table was incorporated by reference into the Company’s Form 10-K,
11 filed with the SEC on May 27, 2022 and signed by Defendants Solomita, Sellyn, Lapham, Lee,
12 Sams, and Stubina (the “2022 10-K”). This disclosure was materially false and misleading and
13 omitted to state material adverse facts because, by the time the statement was made, the control
14 group consisting of Stephens, Destler, and Defendant Danks beneficially owned and controlled
15 most if not all of the Company’s outstanding unrestricted stock.

16 128. The 2022 10-K contained the following risk disclosures regarding the Company's
17 stock price:

Trading volume in our stock can fluctuate and an active trading market for our common stock may not be available on a consistent basis to provide stockholders with adequate liquidity. Our stock price may be volatile and our stockholders could incur significant investment losses.

The trading price for our common stock will be affected by a number of factors, including:

- Any change in the status of our Nasdaq listing;
 - The need for near-term financing to continue operations;
 - Our ability to develop and commercialize our technology, relative to investor expectations;
 - General market conditions and other factors unrelated to our operating performance or the operating performance of our competitors;
 - Volatility in the financial and credit markets, including the recent volatility due, in part, to the current COVID-19 outbreak and geo-political events;

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- 1 • Future issuances and/or sales of our securities;
- 2 • Announcements or the absence of announcements by us, or our competitors,
 regarding collaborations, new products, significant contracts, commercial
 relationships or capital commitments;
- 3 • Commencement of, or involvement in, litigation ***or investigations***;
- 4 • Any major change in our board of directors or management;
- 5 • Changes in governmental regulations or in the status of our regulatory
 approvals;
- 6 • Announcements related to patents issued to us or our competitors and to
 litigation involving our intellectual property;
- 7 • A lack of, or limited, or negative industry or security analyst coverage;
- 8 • Uncertainty regarding our ability to secure additional cash resources with which
 to operate our business;
- 9 • Short-selling or similar activities by third parties;
- 10 • Limited trading activity in our shares and any short positions held; and
- 11 • Other factors described elsewhere in these Risk Factors.

129. These risk disclosures were materially false and misleading and omitted to state
material adverse facts because they failed to disclose that: (i) the Company's stock price was
being supported by market manipulation and was thus materially inflated; and (ii) the control
group consisting of Stephens, Destler, and Defendant Danks beneficially owned and controlled
most if not all of the Company's outstanding unrestricted stock.

Harm to the Company

130. Each of the Individual Defendants, directly or indirectly, perpetrated and/or
profited from the illegal pump-and-dump scheme.

131. As a direct and proximate result of the Individual Defendants' misconduct outlined
herein, the Company's ability to maintain adequate financing through equity offerings has been
jeopardized. According to the Company's 2023 Form 10-K, filed with the SEC on May , 2023,
the ability to secure adequate equity financing is critical to Loop's ability to maintain operations:

RISKS RELATING TO OUR BUSINESS AND TECHNOLOGY

27 *We have incurred net losses since inception. We expect to continue to incur losses
28 for the foreseeable future and may never achieve or maintain profitability. We
 have never generated material revenue and may never be profitable.*

VERIFIED SHAREHOLDER DERIVATIVE COMPLAINT

1 Since our inception in 2010, we have incurred net losses. Our net loss for the year
 2 ended February 28, 2023 was \$21.30 million and we have earned limited revenues
 3 to date. *We have financed our operations primarily through sales of common stock*
 4 and incurrence of debt and have devoted substantial efforts to research and
 development, as well as building our team. We expect to continue to incur
 significant expenses and operating losses for the foreseeable future.

5 * * *

6 ***We may not be able to execute our business plan or stay in business without
 additional funding.***

7 Our ability to successfully commercialize our business and generate future
 8 revenues depends on whether we can obtain the necessary financing to implement
 9 our business plan, on acceptable terms. *We will require additional financing
 10 through a combination of the issuance of debt, equity, and/or joint ventures and/or
 government incentive programs in order to establish profitable operations, and
 such financing may not be forthcoming.* We are pursuing financial incentives and
 11 financing for our proposed projects with several countries through multiple
 12 programs that involve various branches of government. If we are unable to attract
 13 government incentives and financing to our projects or investors to invest in our
 business, *we may not be able to acquire additional financing through debt or equity
 markets. Our failure to secure additional financing on favorable terms when it
 becomes required would have an adverse effect on our ability to execute our
 business plan or remain in business.*

14 *Id.*, p. 15 (emphasis added).

16 132. The price of Loop's common stock has never recovered from the disclosure of the
 17 pump-and-dump scheme, closing at \$3.06 per share on August 4, 2023, as compared to an opening
 18 price of \$4.51 per share on September 30, 2022, the day the SEC filed the complaint in connection
 19 with the pump-and-dump scheme.

20 133. The decline in the value of the Company's common stock has harmed Loop's
 21 ability to finance the Company's operations and develop its business plan through equity
 22 financing. In addition, Loop was harmed by the substantial compensation and benefits paid to the
 23 Individual Defendants, who breached their fiduciary duties to the Company.

24 134. As a direct and proximate result of the Individual Defendants' misconduct and
 25 breach of fiduciary duties, the Company has also suffered and will continue to suffer a loss of
 26 reputation and goodwill, and a liar's discount regarding Loop's stock in the future.

27
 28
 VERIFIED SHAREHOLDER DERIVATIVE COMPLAINT

1 **DERIVATIVE AND DEMAND FUTILITY ALLEGATIONS**

2 135. Plaintiff brings this action derivatively in the right and for the benefit of the
 3 Company to redress injuries suffered and to be suffered as a direct and proximate result of the
 4 breach of fiduciary duties by the Individual Defendants.

5 136. Loop is named solely as a nominal party in this action. This is not a collusive action
 6 to confer jurisdiction on this Court that it would otherwise not have.

7 137. Plaintiff is a current shareholder of Loop and was a continuous shareholder of the
 8 Company during the period of the Individual Defendants' wrongdoing alleged herein. Plaintiff
 9 will adequately and fairly represent the interests of the Company in enforcing and prosecuting its
 10 rights and retained counsel competent and experienced in derivative litigation.

11 138. Defendant Danks, along with Stephens, Destler and Lazerus, engaged in a scheme
 12 artificially inflate the price of the Company's common stock and sell their shares during the
 13 Relevant Period, without disclosing that they were the owners of the stock, in violation of Sections
 14 17(a)(1) and (3) of the Securities Act and Section 10(b) of the Exchange Act.

15 139. At the time this action was commenced, the six-member Board was comprised of
 16 Defendants Solomita, Sellyn, Stubina, Sams, Lapham, and Lee. Accordingly, Plaintiff is only
 17 required to show that three Directors cannot exercise independent objective judgment about
 18 whether to bring this action or whether to vigorously prosecute this action. As set forth below, all
 19 six of the Board's current members are incapable of making an independent and disinterested
 20 decision to institute and vigorously prosecute this action, including because they face a substantial
 21 likelihood of liability, and so demand on the Board to institute this action is not necessary because
 22 such a demand would have been a futile act.

23 140. The Individual Defendants, together and individually, violated and breached their
 24 fiduciary duties of candor, good faith, and loyalty. Specifically, the Individual Defendants
 25 knowingly approved and/or permitted the wrongs alleged herein and participated in efforts to
 26 conceal those wrongs. The Individual Defendants authorized and/or permitted the issuance of
 27 various false and misleading statements, authorized and/or permitted the false statements to be
 28 disseminated directly to the public and made available and distributed to shareholders, and are

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1 principal beneficiaries of the wrongdoing alleged herein, and thus, could not fairly and fully
 2 prosecute such a suit even if they instituted it.

3 141. The Individual Defendants either knowingly or recklessly issued or caused the
 4 Company to issue the materially false and misleading statements alleged herein. The Individual
 5 Defendants knew of the falsity of the misleading statements at the time they were made. As a
 6 result of the foregoing, the Individual Defendants breached their fiduciary duties, face a
 7 substantial likelihood of liability, are not disinterested, and demand upon them is futile, and thus
 8 excused.

9 142. As members of the Board charged with overseeing the Company's affairs, each of
 10 the Individual Defendants had knowledge, or the fiduciary obligation to inform themselves, of
 11 information pertaining to the Company's core operations and the material events giving rise to
 12 these claims. Specifically, as Board members of Loop, the Individual Defendants knew, or should
 13 have known, the material facts surrounding the ownership and control of the Company and its
 14 stock.

15 143. Moreover, the Individual Defendants willfully ignored, or recklessly failed to
 16 inform themselves of, the obvious problems with the Company's internal controls, practices, and
 17 procedures, and failed to make a good faith effort to correct the problems or prevent their
 18 recurrence.

19 144. Defendants Sellyn, Stubina, Lapham, and Sams are not disinterested or
 20 independent, and therefore, are incapable of considering a demand because they serve or have
 21 served as members of the Audit Committee during the Relevant Period and, pursuant to the Audit
 22 Committee Charter, were specifically charged with the responsibility to assist the Board in
 23 fulfilling its oversight responsibilities related to, *inter alia*, public disclosure requirements.
 24 Throughout the Relevant Period, however, these Defendants breached their fiduciary duties to the
 25 Company by failing to prevent, correct, or inform the Board of the issuance of material
 26 misstatements and omissions regarding the ownership and control of the Company and its stock.
 27 Therefore, Defendants Sellyn, Stubina, Lapham, and Sams cannot independently consider any
 28 demand to sue themselves for breaching their fiduciary duties to the Company, as that would

VERIFIED SHAREHOLDER DERIVATIVE COMPLAINT

1 expose them to substantial liability and threaten their livelihood.

2 145. The Individual Defendants, as members of the Board, were and are subject to the
 3 Company's Code of Conduct. The Code of Conduct goes well beyond the basic fiduciary duties
 4 required by applicable laws, rules, and regulations, requiring the Individual Defendants to also
 5 adhere to Loop's standards of business conduct. The Individual Defendants violated the Code of
 6 Conduct because they knowingly or recklessly engaged in and participated in making and/or
 7 causing the Company to make the materially false and misleading statements alleged herein.
 8 Because the Individual Defendants violated the Code of Conduct, they face a substantial
 9 likelihood of liability for breaching their fiduciary duties, and therefore demand upon them is
 10 futile.

11 146. Additionally, each of the Individual Defendants received payments, benefits, stock
 12 options, and other emoluments by virtue of their membership on the Board and their control of
 13 the Company.

14 147. The Individual Defendants derive substantial revenue from the Company, control
 15 the Company, and are indebted to each other. These conflicts of interest have precluded the
 16 directors from adequately monitoring the Company's operations and internal controls and calling
 17 into question the other Individual Defendants' conduct. Thus, any demand on the current Board
 18 would be futile.

19 148. The Individual Defendants may also be protected against personal liability for their
 20 acts of mismanagement and breaches of fiduciary duty alleged herein by directors' and officers'
 21 liability insurance if they caused the Company to purchase it for their protection with corporate
 22 funds i.e., monies belonging to the stockholders of Loop. If there is a directors' and officers'
 23 liability insurance policy covering the Individual Defendants, it may contain provisions that
 24 eliminate coverage for any action brought directly by the Company against the Individual
 25 Defendants, known as, *inter alia*, the "insured-versus-insured exclusion." As a result, if the
 26 Individual Defendants were to sue themselves or certain officers of Loop, there would be no
 27 directors' and officers' insurance protection. Accordingly, the Individual Defendants cannot be
 28 expected to bring such a suit. On the other hand, if the suit is brought derivatively, as this action

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1 is brought, such insurance coverage, if such an insurance policy exists, will provide a basis for
2 the Company to effectuate a recovery. Thus, demand on the Individual Defendants is futile and,
3 therefore, excused.

4 149. If there is no directors' and officers' liability insurance, then the directors will not
5 cause Loop to sue the Defendants named herein, since, if they did, they would face a large
6 uninsured individual liability. Accordingly, demand is futile in that event as well.

7 150. Thus, for all of the reasons set forth above, all of the directors are unable to consider
8 a demand with disinterestedness and independence. Consequently, a demand upon the Board is
9 excused as futile.

COUNT I
Against the Individual Defendants for Violations of § 10(b)
of the Exchange Act, 15 U.S.C. § 78(j), and Rule 10b-5, 17 C.F.R. § 240.10b-5

151. Plaintiff repeats and realleges the preceding allegations as if fully set forth herein.

14 152. The Individual Defendants violated Section 10(b) of the Exchange Act, 15 U.S.C.
15 § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

16 153. The Individual Defendants, individual and in concert, directly or indirectly,
17 disseminated or approved the materially false statements specified above, which they knew or
18 deliberately disregarded were misleading in that they contained misrepresentations and failed to
19 disclose material facts necessary in order to make the statements made, in light of the
20 circumstances under which they were made, not misleading.

154. The Individual Defendants violated Section 10(b) of the Exchange Act and Rule
10b-5 in that they: (i) employed devices, schemes, and artifices to defraud; (ii) made untrue
statements of material facts or omitted to state material facts necessary in order to make the
statements made, in light of the circumstances under which they were made, not misleading; or
(iii) engaged in acts, practices, and a course of business that operated as a fraud or deceit upon
Plaintiff and others similarly situated.

155. The Individual Defendants acted with scienter because they: (i) knew that the public documents and statements issued or disseminated in the name of Loop were materially false and

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misleading; (ii) knew that such statements or documents would be issued or disseminated to the investing public; and (iii) knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the securities laws.

4 156. The Individual Defendants, by virtue of their receipt of information reflecting the
5 true facts of Loop, their control over, and/or receipt and/or modification of Loop's allegedly
6 materially misleading statements, and/or their associations with the Company which made them
7 privy to confidential proprietary information concerning Loop, participated in the fraudulent
8 scheme alleged herein.

9 157. As a result of the foregoing, the market price of Loop common stock was artificially
10 inflated during the relevant time period. In ignorance of the falsity of the statements, stockholders
11 relied on the statements described above and/or the integrity of the market price of Loop common
12 stock in purchasing Loop common stock at prices that were artificially inflated as a result of these
13 false and misleading statements and were damaged thereby.

14 158. In addition, as a result of the wrongful conduct alleged herein, the Company has
15 suffered significant damages, including reputational harm.

COUNT II

Against the Individual Defendants for Breach of Fiduciary Duty

18 159. Plaintiff incorporates by reference and realleges the preceding allegations as if fully
19 set forth herein.

20 160. The Individual Defendants owed the Company fiduciary obligations. By reason of
21 their fiduciary relationships, the Individual Defendants owed the Company the highest obligation
22 of good faith, fair dealing, loyalty, and due care.

23 161. The Individual Defendants violated and breached their fiduciary duties of care,
24 loyalty, reasonable inquiry, and good faith.

25 162. The Individual Defendants engaged in a sustained and systematic failure to properly
26 exercise their fiduciary duties. Among other things, the Individual Defendants breached their
27 fiduciary duties of loyalty and good faith by allowing or permitting false and misleading
28 statements to be disseminated in the Company’s SEC filings and other disclosures and, otherwise

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1 failing to ensure that adequate internal controls were in place regarding the serious business
2 reporting issues and deficiencies described above. These actions could not have been a good faith
3 exercise of prudent business judgment to protect and promote the Company's corporate interests.

4 163. As a direct and proximate result of the Individual Defendants' failure to fulfill their
5 fiduciary obligations, the Company has sustained significant damages.

6 164. As a result of the misconduct alleged herein, the Individual Defendants are liable
7 to the Company. As a direct and proximate result of the Individual Defendants' breach of their
8 fiduciary duties, the Company has suffered damage, not only monetarily, but also to its corporate
9 image and goodwill. Such damage includes, among other things, damage to the share price of the
10 Company's stock, resulting in an increased cost of capital, and significant reputational harm.

11 **COUNT III**

12 **Against the Individual Defendants for Aiding and
13 Abetting Breach of Fiduciary Duty**

14 165. Plaintiff repeats and realleges the preceding allegations as if fully set forth herein.

15 166. By encouraging and accomplishing the illegal and improper transactions alleged
herein and concealing them from the public, the Individual Defendants have each encouraged,
16 facilitated, and advanced their breach of their fiduciary duties. In so doing, the Individual
17 Defendants have each aided and abetted, conspired, and schemed with one another to breach their
18 fiduciary duties, waste the Company's corporate assets, and engage in the ultra vires and illegal
19 conduct complained of herein.

20 167. Plaintiff on behalf of Loop has no adequate remedy at law.

21 **COUNT IV**

22 **Against the Individual Defendants for Unjust Enrichment**

24 168. Plaintiff incorporates by reference and realleges each and every allegation
25 contained above, as though fully set forth herein.

26 169. By their wrongful acts, violations of law, and false and misleading statements and
27 omissions of material fact that they made and/or caused to be made, the Individual Defendants
28 were unjustly enriched at the expense of, and to the detriment of, Loop.

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1 170. The Individual Defendants either benefitted financially from the improper conduct,
2 or received bonuses, stock options, or similar compensation from Loop that were tied to the
3 performance or artificially inflated valuation of Loop or received compensation that was unjust
4 in light of the Individual Defendants' bad faith conduct.

5 171. Further, Defendants Danks and Solomita benefitted financially directly from the
6 fraudulent and illegal pump-and-dump scheme alleged herein.

7 172. Plaintiff, as a shareholder and a representative of Loop, seeks restitution from the
8 Individual Defendants and seeks an order from this Court disgorging all profits, benefits and other
9 compensation procured by the Individual Defendants due to their wrongful conduct and breach
10 of their fiduciary and contractual duties.

11 || 173. Plaintiff on behalf of Loop has no adequate remedy at law.

COUNT V

Against the Individual Defendants for Gross Mismanagement

14 174. Plaintiff incorporates by reference and realleges each and every allegation
15 contained above, as though fully set forth herein.

16 175. The Individual Defendants, either directly or through aiding and abetting, failed to
17 reasonably exercise their responsibilities and fiduciary duties with regard to prudently managing
18 the assets and business of the Company in a manner consistent with the expectations and
19 operations of a publicly held corporation.

20 176. As a direct and proximate result of the Individual Defendants' gross
21 mismanagement alleged herein, the Company has sustained and will continue to sustain
22 substantial damages.

23 | 177. Plaintiff on behalf of the Company has no adequate remedy at law.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment as follows:

26 A. Awarding money damages against all Individual Defendants, jointly and severally,
27 for all losses and damages suffered as a result of the acts and transactions complained of herein,
28 together with pre-judgment interest, molded in a fashion to ensure the Individual Defendants do

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